

**Eastern Upper Peninsula  
Intermediate School District**

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**Financial Report  
with Supplemental Information**

**June 30, 2008**

# Eastern Upper Peninsula Intermediate School District

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# HARRIS GROUP

*Certified Public Accountants*

## Independent Auditor's Report

To the Members of the  
Board of Education  
Eastern Upper Peninsula Intermediate School District

We have audited the accompanying financial statements of the governmental activities, each major fund and aggregate remaining fund information of the Eastern Upper Peninsula Intermediate School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Eastern Upper Peninsula Intermediate School District's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Michigan School Auditing Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and aggregate remaining fund information of the Eastern Upper Peninsula Intermediate School District as of June 30, 2008, and the respective changes in financial position, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2008 on our consideration of Eastern Upper Peninsula Intermediate School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Eastern Upper Peninsula Intermediate School District

The Administration's Discussion and Analysis and the required supplementary information identified in the Table of Contents are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Eastern Upper Peninsula Intermediate School District basic financial statements. The accompanying information identified in the Table of Contents, and other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is also presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to basic financial statements taken as a whole.

A handwritten signature in dark ink that reads "HAREIS GROUP". The letters are cursive and somewhat stylized, with the "H" and "G" being particularly prominent.

Certified Public Accountants

September 5, 2008

## **Administration's Discussion and Analysis**

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The Eastern Upper Peninsula Intermediate School District (EUPISD) services all local school districts located in Chippewa, Luce and Mackinac Counties. The EUPISD is geographically the largest of the fifty-seven ISDs in the state of Michigan, covering 4,000 square miles and servicing approximately 8,200 students. The fifteen LEAs include Sault Ste. Marie Area Schools, DeTour Area Schools, Pickford Public Schools, Rudyard Area Schools, Brimley Area Schools, Whitefish Township School District, Tahquamenon Area Schools, St. Ignace City School District, Bois Blanc Pines School District, Les Cheneaux Community School District, Engadine Consolidated Schools, Moran Township School District, Mackinac Island Public Schools, Joseph K. Lumsden Bahweting Public School Academy, and Bay Mills Ojibwe Charter School.

The Management Discussion and Analysis, a requirement of GASB 34, is intended to be the EUPISD's report of the financial results for the fiscal year ended June 30, 2008. U.S. Generally Accepted Accounting Principals (GAAP) according to GASB 34 requires the reporting of two types of financial statements: District-wide Financial Statements and Fund Financial Statements.

#### **Financial Highlights**

- The District's financial status remained relatively unchanged this year. Total net assets decreased by 9.09% to \$3.09 million, compared to \$3.40 million last year.
- During the year, the District's expenses were \$309,012 more than the \$9.5 million in revenues.
- At the end of the current fiscal year, the fund balance in the General Fund was \$1,141,345 or 33.75% of the total expenditures. The total amount of expenditures is dependent on the grants awarded in a particular year causing the percentage of total expenditures to vary from year to year.

#### **Fund Financial Statements:**

The fund level statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the District's major instruction and instructional support activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Education, Co-op, and other non-major governmental funds.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

#### **District-Wide Financial Statements:**

The District-Wide financial statements are full accrual basis statements. They report all of the District's assets and liabilities, both short and long term, regardless if they are "currently available" or not. Capital assets and long-term obligations of the District are reported in the Statement of Net Assets of the District-Wide Financial Statements.

**Summary of Net Assets:**

The following summarizes the net assets at fiscal year ended June 30, 2008.

	2008	2007
<b>Assets</b>		
Current	\$ 3,679,650	\$ 3,955,259
Non-current	1,011,690	1,001,169
Total assets	<u>\$ 4,691,340</u>	<u>\$ 4,956,428</u>
<b>Liabilities</b>		
Current	\$ 1,373,621	\$ 1,353,529
Non-Current	226,564	202,732
Total liabilities	<u>1,600,185</u>	<u>1,556,261</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	808,958	798,437
Restricted	203,526	146,764
Unrestricted	<u>2,078,671</u>	<u>2,454,966</u>
Total net assets	<u>3,091,155</u>	<u>3,400,167</u>
Total liabilities and net assets	<u>\$ 4,691,340</u>	<u>\$ 4,956,428</u>

**Analysis of Financial Position**

During fiscal year ended June 30, 2008, the District's net assets decreased by \$309,012. A few of the significant factors affecting the net assets during the year are discussed below:

**A. Net Change in Net Assets**

The district's investment in capital assets increased by \$10,521, which is related to purchase of vehicles and technology equipment and depreciation expense. The net restricted and unrestricted net assets decreased by \$319,533, which can be attributed to the increased services to the local districts.



**B. Net Investment in Capital Assets**

The district's net investment in capital assets increased by \$10,521 during the fiscal year. This can be summarized as follows:

Beginning, net at July 1, 2007	\$1,001,169
Acquisition of Capital Assets at cost, fiscal year ended June 30, 2008	125,314
Basis of assets sold/disposed	(3,304)
Net Depreciation Expense for fiscal year ended June 30, 2008	<u>(111,489)</u>
Ending Investment in Capital Assets, net at June 30, 2008	<u>\$1,011,690</u>

Capital assets acquired during the fiscal year include \$88,109 in vehicles and \$37,205 of technology and office equipment.

**C. Debt Activities**

The State School Aid Act provided appropriations as part of a settlement to school districts involved in the Durant litigation. The Act provided for the districts to receive half of their settlement in ten annual installments paid November 15, 1998 through November 15, 2007 and the other half in fifteen annual installments. The Michigan Municipal Bond Authority issued bonds for the districts that elected to receive a lump sum rather than the fifteen payments. As part of the Executive Budget Recommendations for FY 2003, the bonds were "refunded". There was no debt service payment for May 2003, 2004 and 2005, the debt service payment resumed in 2006. In May 2007, the Authority issued refunding bonds and the payments for May 15, 2007 and May 15, 2008 were deferred until a later date.

**Results of Operations:**

For the fiscal year ended June 30, 2008, the DISTRICT-WIDE results of operations were:

	2008	2007
<b>Revenues:</b>		
Property taxes	\$ 1,961,429	\$ 1,821,980
Unrestricted state aid	486,016	477,935
Other general revenues	98,176	166,667
Charges for services	1,574,739	1,489,177
Operating grants and contributions	<u>5,421,383</u>	<u>4,562,947</u>
Total revenues	<u>9,541,743</u>	<u>8,518,706</u>
<b>Expenses:</b>		
Instruction	1,312,054	1,180,822
Support Services	8,489,922	7,528,378
Community Services	<u>48,779</u>	<u>15,462</u>
Total expense	<u>9,850,755</u>	<u>8,724,662</u>
CHANGE IN NET ASSETS	<u>\$ (309,012)</u>	<u>\$ (205,956)</u>

**Results of Operations (continued):**

As the District completed the year, its governmental funds reported combined net asset balance of \$3.09 million, a decrease of \$309,012. Revenues and expenses increased by similar amounts due to new grants/revenue sources in 2007-2008 fiscal year. The overall decrease in net assets can be contributed to new staff added to better serve the local districts in the areas of curriculum support and early childhood services.

**STATE OF MICHIGAN AID GENERATED BY SPECIAL ED. PUPIL MEMBERSHIP**

To meet the needs of the severely impaired and other students with special needs within the Eastern Upper Peninsula, the EUPISD operates the Rudyard Service Center. The EUPISD is better able to operate such a center covering the entire intermediate district as it is often cost prohibited for the local districts to provide specialized staff and services for a small number of special needs pupils within their own districts. In addition, the EUPISD provides other professional staff to the locals such as psychologists, social workers, hearing and vision impaired consultants, speech therapists, occupational therapists, physical therapists and other specialized staff the districts may have a need for. The intermediate school district supports the service center and other direct services to the district through State Aid generated by pupil membership, millage, federal awards and charge-back fees to the local districts.

Based on annually submitted Special Education Annual Cost Report, Form 4096, the EUPISD generates State Aid under Section 51a.2 (Special Education Foundation, Sec 52) and Section 51a. The following notes the pupil membership, special education costs and state funding for the past five years. State funds received in 2007/2008 for payments toward reimbursing local school districts and intermediate school districts were at 28.6138% of the total approved costs of special education. This percentage may vary slightly from year to year.

<b>Year</b>	<b>ISD Membership</b>	<b>Special Ed. Costs</b>	<b>Section 51a.2</b>	<b>Section 51a</b>
2007-2008	48.80	\$3,065,269	\$360,299	\$516,791
2006-2007	47.57	\$2,812,224	\$339,682	\$465,002
2005-2006	44.19	\$2,661,353	\$306,014	\$455,500
2004-2005	47.34	\$2,543,582	\$319,874	\$407,941
2003-2004	52.32	\$2,384,372	\$354,604	\$327,655

**MILLAGE LEVIED FOR GENERAL OPERATIONS AND SPECIAL EDUCATION**

In August, 2006 the District received approval from the voters to levy 0.2 mills through 2010, inclusive, for general operations and in 1966 local voters approved a charter millage for special education services and programs in the amount of 1.0 mill. However, the district's 2006 Millage Rate Permanently Reduced by MCL 211.34d ("Headlee") for the special education charter millage limited the district's maximum allowable millage levy to 0.7727. Under Michigan law, the taxable level is based on taxable valuation of properties. Annually, the taxable valuation increase in property value is capped at the rate of the prior year's CPI increase or 5 percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which is, theoretically, 50 percent of the market value.

**MILLAGE LEVIED FOR GENERAL OPERATIONS AND SPECIAL EDUCATION - continued**

The District's 2007 Tax Rate Request (Form L-4029) indicates that the District requested 0.1990 mills be levied with the December 2007 tax collection period for allocated operational millage and 0.7727 mills for special education charter millage.

During fiscal year 2007-2008, the District's 2007 Taxable Value of All Properties was \$1,968,556,831 as reported on July 21, 2008 State Aid Status Report. Given this, revenue generated by the 0.1990 mills would calculate to \$391,743 and revenue generated by the .7727 mills would calculate to \$1,521,104. A small variance to the actual amount collected and the calculated amount could be due to delinquent taxes, board of review changes and/or subtractions or additions to the tax rolls.

<u>Fiscal Year</u>	<u>Mills Levied General Fund</u>	<u>Mills Levied Special Ed.</u>	<u>Properties Taxable Value</u>	<u>% Increase from P.Y.</u>
2007/2008	.1990	.7727	\$1,968,556,831	5.56%
2006/2007	.1936	.7766	\$1,864,935,618	5.90%
2005/2006	.1953	.7833	\$1,760,633,408	5.99%
2004/2005	.1976	.7922	\$1,661,156,601	5.81%
2003/2004	.2000	.8018	\$1,569,895,490	4.14%

**GENERAL FUND BUDGET & ACTUAL REVENUES & EXPENDITURES / FUND BALANCES****General Fund Expenditures Budget Vs. Actual 5-Year History**

<u>Fiscal Year</u>	<u>Expenditures Original Budget</u>	<u>Expenditures Final Budget</u>	<u>Expenditures Final Actual</u>	<u>Expenditures Variance Actual &amp; Original Budget</u>	<u>Expenditures Variance Actual &amp; Final Budget</u>
2003 – 2004	\$2,757,075	\$3,781,600	\$2,896,933	\$139,858	(\$884,667)
2004 – 2005	\$2,733,497	\$5,783,746	\$5,452,767	\$2,719,270	(\$330,979)
2005 – 2006	\$2,566,152	\$2,802,595	\$2,737,872	\$171,720	(\$64,723)
2006 – 2007	\$2,592,211	\$3,261,710	\$2,880,469	\$288,258	(\$381,241)
2007 – 2008	\$2,697,866	\$3,853,850	\$3,178,881	\$481,015	(\$674,969)

# Eastern Upper Peninsula Intermediate School District

## Administration's Discussion and Analysis For Fiscal Year Ended June 30, 2008

### General Fund Revenue Budget Vs. Actual 5-Year History

<u>Fiscal Year</u>	<u>Revenues Original Budget</u>	<u>Revenues Final Budget</u>	<u>Revenues Final Actual</u>	<u>Revenues Variance Actual &amp; Original Budget</u>	<u>Revenues Variance Actual &amp; Final Budget</u>
2003 – 2004	\$2,841,668	\$3,450,707	\$2,907,329	\$65,661	(\$543,378)
2004 – 2005	\$2,488,049	\$5,551,470	\$5,334,532	\$2,846,483	(\$216,938)
2005 – 2006	\$2,469,067	\$2,578,701	\$2,551,253	\$82,186	(\$27,448)
2006 – 2007	\$2,419,914	\$3,120,479	\$2,788,911	\$368,997	(\$331,568)
2007 – 2008	\$2,504,284	\$3,968,912	\$3,260,096	\$755,812	(\$708,816)

### General Fund FUND BALANCE, 5-Year History

<u>Fiscal Year</u>	<u>Designated</u>	<u>Unrestricted/ Undesignated</u>	<u>Total</u>
2003 – 2004	\$ -	\$1,197,578	\$1,197,578
2004 – 2005	\$ -	\$1,262,162	\$1,262,162
2005 – 2006	\$ -	\$1,236,974	\$1,236,974
2006 – 2007	\$ -	\$1,145,416	\$1,145,416
2007 – 2008	\$ -	\$1,141,345	\$1,141,345

### **Original vs. Final Budget:**

The Uniform Budget Act of the State of Michigan requires that Boards of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, the Eastern Upper Peninsula Intermediate School District periodically amends its budget throughout the fiscal year. The majority of budget amendments occurring throughout the year represent changes to and/or additions to Federal and State grants, both awarded and competitive. Due to the fluctuation in grant funds throughout any given fiscal year, the percentage variance between the Intermediate School District's original and final budget may be at a considerably higher rate than a local school district.

### **Change from Original to Final Budget, 2007/2008:**

#### General Fund Revenues:

Total Revenues Original Budget	\$2,504,284	
Total Revenues Final Budget	<u>\$3,968,912</u>	
Increase (Decrease) in Budgeted Revenues	<u>\$ 1,464,628</u>	<u>58.49%</u>

**Change from Original to Final Budget, 2007/2008 (continued):****General Fund Expenditures:**

The District's budget for expenditures changed as follows during the year:

Total Expenditures Original Budget	\$2,697,866	
Total Expenditures Final Budget	<u>\$3,853,850</u>	
Increase (Decrease) in Budgeted Expenditures	<u>\$ 1,155,984</u>	<u>42.85%</u>

The majority of changes/increases in the Intermediate School District's General Fund revenue and expenditure budget were due to the awarding of grants and other funding sources after the original budget was prepared. Some of the additional grants and other funding sources were as follows: Rural Health Care (\$155,000), Enhancing Education Through Technology (\$681,658), Title I – High Priority Schools (\$138,435), State Aid Section 81 (\$75,000), Michigan School Readiness (\$66,300), and ECIC Great Start Collaborative (\$40,000).

**Factors Affecting Future Periods**

The budget for the 2008-2009 fiscal year will reflect the following facts/trends: Tax revenues are estimated to increase by an inflationary factor of 3%. State Aid Section 81 (Discretionary) funding revenue is not expected to increase. The MPSERS retirement rate will decrease from 16.72% to 16.54% paid on all wages due to changes in the 07-08 fiscal year State funding. Health insurance costs have been contained by changing coverage plans. In a continued emphasis toward curricular activities, and with a goal of regional increased student achievement, programs that continue to be the focus of the General Fund budget includes Curriculum Consulting/ Direction and Assessment.

The EUPISD is aggressively pursuing grants that will enable us to continue to provide assistance to the local districts with a common goal of improving student achievement. It is also a budgetary commitment of the EUPISD to assist our geographically isolated local districts.

**Contacting the District's Management:**

This financial report is designed to provide our citizens and taxpayers with a general overview of the District's finances. If you have questions about this report or need additional information, contact the Eastern Upper Peninsula Intermediate School District by visiting or writing at P.O. Box 883, 315 Armory Place, Sault Ste. Marie, MI 49783 or by calling 906-632-3373.

## **Basic Financial Statements**

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**Eastern Upper Peninsula Intermediate School District****Statement of Net Assets  
June 30, 2008**

	Governmental Activities
<b>ASSETS</b>	
<b>Current Assets:</b>	
Cash and equivalents	\$ 1,377,326
Due from other governmental units	2,126,651
Accounts receivable	151,637
Prepaid expenses	24,036
Total current assets	3,679,650
<b>Capital Assets:</b>	
Capital Assets Not Depreciated	22,000
Capital Assets Depreciated	989,690
Total noncurrent assets	1,011,690
Total assets	\$ 4,691,340
<b>LIABILITIES AND NET ASSETS</b>	
<b>Current Liabilities:</b>	
Accounts payable	\$ 117,825
Accrued salaries and withholding	319,517
Deferred revenue	596,059
Due to other governmental units	321,112
Bonds payable - due within one year	19,108
Total current liabilities	1,373,621
<b>Noncurrent Liabilities:</b>	
Bonds payable	183,624
Compensated absences payable	42,940
Total noncurrent liabilities	226,564
Total liabilities	1,600,185
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	808,958
Restricted for capital projects	203,526
Unrestricted	2,078,671
Total net assets	\$ 3,091,155

# Eastern Upper Peninsula Intermediate School District

## Statement of Activities Year Ended June 30, 2008

	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants/ Contributions	Net (Expense) Revenue and Changes in Net Assets
<b>Functions/Programs:</b>				
Governmental Activities:				
Instruction	\$ 1,312,054	\$ 67,669	\$ 1,210,982	\$ (33,403)
Support services	8,489,922	1,507,070	4,167,238	(2,815,614)
Community services	48,779	-	43,163	(5,616)
Total Governmental Activities	<u>\$ 9,850,755</u>	<u>\$ 1,574,739</u>	<u>\$ 5,421,383</u>	(2,854,633)
General Revenues:				
Taxes				
Property taxes, levied for general operations				1,961,429
State of Michigan aid, unrestricted				486,016
Gain on sale of capital assets				7,949
Interest and investment earnings				69,582
Miscellaneous				<u>20,645</u>
Total general revenues				<u>2,545,621</u>
Changes in Net Assets				(309,012)
Net assets:				
Beginning of year				<u>3,400,167</u>
End of year				<u>\$ 3,091,155</u>



# Eastern Upper Peninsula Intermediate School District

## Balance Sheet Governmental Funds June 30, 2008

	General	Special Education Fund	Co-op Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash and equivalents	\$ 611,583	\$ 340	\$ 498,616	\$ 203,526	\$ 1,314,065
Due from other governmental units	782,485	1,341,817	2,349	-	2,126,651
Due from other funds	341,301	-	-	-	341,301
Accounts receivable	132,087	11,118	8,432	-	151,637
Prepaid expenses	13,317	6,570	4,149	-	24,036
Total Assets	<u>\$ 1,880,773</u>	<u>\$ 1,359,845</u>	<u>\$ 513,546</u>	<u>\$ 203,526</u>	<u>\$ 3,957,690</u>
<b>LIABILITIES:</b>					
Due to other funds	\$ -	\$ 341,301	\$ -	\$ -	\$ 341,301
Accounts payable	75,362	41,114	1,349	-	117,825
Accrued salaries and withholdings	1,713	302,755	15,049	-	319,517
Deferred revenue	575,077	20,982	-	-	596,059
Due to other governmental units	87,276	233,836	-	-	321,112
Total liabilities	<u>739,428</u>	<u>939,988</u>	<u>16,398</u>	<u>-</u>	<u>1,695,814</u>
<b>FUND BALANCES:</b>					
Reserved for capital projects	-	-	-	203,526	203,526
Unreserved and undesignated	1,141,345	419,857	-	-	1,561,202
Designated, subsequent years expenditures	-	-	497,148	-	497,148
Total fund balances	<u>1,141,345</u>	<u>419,857</u>	<u>497,148</u>	<u>203,526</u>	<u>2,261,876</u>
Total liabilities and fund balances	<u>\$ 1,880,773</u>	<u>\$ 1,359,845</u>	<u>\$ 513,546</u>	<u>\$ 203,526</u>	

Amounts reported for governmental activities in the statement of net assets are different because:  
Capital assets used in governmental activities are not financial resources, and are not reported in the funds.

The cost of the capital assets is	\$ 1,888,718	
Accumulated depreciation is	<u>(952,128)</u>	936,590

Internal service funds are used by management to charge the costs of fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

138,361

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consists of:

Bonds Payable	(202,732)
Termination benefits	<u>(42,940)</u>
Net assets of governmental activities	<u>\$ 3,091,155</u>

# Eastern Upper Peninsula Intermediate School District

## Statement of Revenue, Expenditures, and Changes in Fund Balances Governmental Funds Year Ended June 30, 2008

	General	Special Education Fund	Co-op Fund	Other Nonmajor Governmental Funds	Totals
<b>REVENUES:</b>					
Local sources	\$ 490,888	\$ 1,842,925	\$ 369,292	\$ 6,762	\$ 2,709,867
State sources	1,199,241	1,014,359	-	-	2,213,600
Federal sources	1,263,430	1,733,055	-	-	2,996,485
Incoming transfers and other	306,537	1,041,842	263,912	-	1,612,291
Total Revenues	3,260,096	5,632,181	633,204	6,762	9,532,243
<b>EXPENDITURES:</b>					
Current:					
Instruction	159,488	1,152,566	-	-	1,312,054
Supporting services	3,178,881	4,624,537	650,398	-	8,453,816
Community services	43,924	4,855	-	-	48,779
Total expenditures	3,382,293	5,781,958	650,398	-	9,814,649
<b>Excess of Revenues (Expenditures)</b>	(122,197)	(149,777)	(17,194)	6,762	(282,406)
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers in	189,793	-	58,983	50,000	298,776
Operating transfers out	(71,667)	(202,682)	(24,427)	-	(298,776)
Total other financing sources (uses)	118,126	(202,682)	34,556	50,000	-
<b>Net Changes in Fund Balances</b>	(4,071)	(352,459)	17,362	56,762	(282,406)
<b>Fund Balances - Beginning of year</b>	1,145,416	772,316	479,786	146,764	2,544,282
<b>Fund Balances - End of year</b>	\$ 1,141,345	\$ 419,857	\$ 497,148	\$ 203,526	\$ 2,261,876

## Eastern Upper Peninsula Intermediate School District

### Reconciliation of the Statement of Revenues, Expenditures, And Changes in Fund Balances of Governmental Funds To the Statement of Activities Year Ended June 30, 2008

Net Changes in fund balances - total governmental funds \$ (282,406)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlays	37,205	
Current Depreciation Expense	(78,506)	
Loss on disposal	<u>(3,304)</u>	(44,605)

Internal service funds are used by management to charge the costs of fleet management to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities

17,999

Changes in net assets of governmental activities

\$ (309,012)

## Eastern Upper Peninsula Intermediate School District

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### Statement of Net Assets Governmental Funds - Internal Service Fund June 30, 2008

	Travel Fund
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Cash and equivalents	<u>\$     63,261</u>
<b>Capital Assets:</b>	
Capital Assets Depreciated	<u>         75,100</u>
Total Assets	<u><u>\$   138,361</u></u>
<b>NET ASSETS:</b>	
Invested in capital assets	75,100
Unrestricted	<u>         63,261</u>
Total Net Assets	<u><u>\$   138,361</u></u>

**Eastern Upper Peninsula Intermediate School District****Statement of Revenues, Expenses, and  
Changes in Net Assets  
Governmental Funds - Internal Service Fund  
Year Ended June 30, 2008**

	Travel Fund
<b>OPERATING REVENUES:</b>	
Local sources	\$ 69,085
Total Revenues	69,085
<b>OPERATING EXPENSES:</b>	
Depreciation	32,983
Supplies and materials	30,907
Total expenses	63,890
<b>OPERATING INCOME (LOSS)</b>	5,195
<b>NONOPERATING REVENUE:</b>	
Investment Income	1,551
Gain on sale of fixed assets	11,253
Total Nonoperating revenue	12,804
<b>Net Changes in Net Assets</b>	17,999
<b>Net Assets - July 1</b>	120,362
<b>Net Assets - June 30</b>	\$ 138,361

**Eastern Upper Peninsula Intermediate School District****Statement of Cash Flows  
Governmental Funds - Internal Service Fund  
Year Ended June 30, 2008**

	Travel Fund
<b>Cash flows from operating activities:</b>	
Receipts from interfund services provided	\$ 69,085
Payments for supplies	(30,907)
<i>Net cash provided by operating activities</i>	<u>38,178</u>
<b>Cash flows from capital activities:</b>	
Purchase of capital assets	(88,109)
Proceeds from sale of capital assets	11,253
<i>Net cash provided by capital activities</i>	<u>(76,856)</u>
<b>Cash flows from investing activities:</b>	
Interest received	<u>1,551</u>
<i>Net cash provided by investing activities</i>	<u>1,551</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	(37,127)
CASH, beginning of year	100,388
CASH, end of year	<u><u>\$ 63,261</u></u>
<b>Reconciliation of operating income to net cash Provided (used) by operating activities:</b>	
<b>Operating Income (Loss)</b>	\$ 5,195
Adjustments to reconcile operating income to Net Cash provided by operating activities:	
Depreciation	<u>32,983</u>
<i>Net cash provided by operating activities</i>	<u><u>\$ 38,178</u></u>

**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

<b>ASSETS:</b>		<u>Agency</u>
Cash and Equivalents		<u>\$ 87,948</u>
<b>LIABILITIES:</b>		
Due to Clubs and Organizations		<u>\$ 87,948</u>

## **Notes to Financial Statements**

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**Note 1 - Summary of Significant Accounting Policies**

The accounting policies of Eastern Upper Peninsula Intermediate School District conform to U.S. generally accepted accounting principles as applicable to School Districts. The following is a summary of the significant accounting policies:

**Reporting Entity**

The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service, and special financing relationships. Based on application of the criteria, the entity does not contain component units. The District also applies Financial Accounting Standards Board pronouncements issued on or before November 30, 1989 to its governmental activities provided they do not conflict with or contradict GASB pronouncements.

**Basic Financial Statements – Government-wide Statements**

The District's basic financial statements include both government-wide (reporting the District as a whole) and fund financial statements (reporting the District's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

In the government-wide Statement of Net Assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts- invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.)

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The District does not allocate indirect costs. In creating the government-wide financial statements, the District has eliminated interfund transactions.

The government-wide focus is on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

**Basic Financial Statements – Fund Financial Statements**

The accounts of the District are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenue, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into generic fund types in two broad fund categories as follows:

**Governmental Funds** – Governmental Funds are those funds through which most District functions typically are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

General fund - the District's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

Special education fund - accounts for revenue sources that are legally restricted to expenditure for special education purposes.

Co-op fund - accounts for the Districts technology funding and expenditures.

Additionally, the District reports the following funds:

Internal service fund - accounts for the Districts fleet activities, which is funded by charging the other funds within the district.

Agency fund - custodial in nature and does not present the results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

**Note 1 - Summary of Significant Accounting Policies (Continued)****Measurement Focus and Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates the timing of the measurements made regardless of the measurement focus and the governmental wide statement uses the economic resources measurement focus.

**Accrual**

Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**Modified Accrual**

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that the principal and interest on general obligation long-term debt is recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants, and charges for services. Other revenue is recorded when received.

The District reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

For Eastern Upper Peninsula Intermediate School District taxpayers properties are assessed as of December 31 and the related property taxes are levied and become a lien on July 1 for 100% of the taxes. Interest accrues effective August 1st and becomes delinquent the following March 1st.

The tax rates for the year ended June 30, 2008, are as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General Fund	.1990 per \$1,000 taxable value
Special Education Fund	.7727 per \$1,000 taxable value

**Note 1 - Summary of Significant Accounting Policies (Continued)**

State Foundation Revenue - The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2008 the foundation allowance was based on the pupil membership counts taken in February and September 2007.

The State portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period and is funded through payments from October 2007 to August 2008. Thus, the unpaid portion at June 30<sup>th</sup> is reported as due from other governmental units. The local revenue is recognized as outlined in Note 1 – Accounting for Property Taxes.

Categorical - The District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

Deposits and Investments – The District’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Investments are recorded at fair value, based on quoted market prices, or estimated fair value.

Receivable and Payables – Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “interfund receivables/payables” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to/from other funds. Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Capital Assets – Capital assets, which include land, buildings, furniture, and equipment are reported in the governmental activities column in the school-wide financial statements. Capital assets are defined by the district as assets with an initial individual cost of \$1,000 or more (\$300 or more for technology equipment) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Note 1 - Summary of Significant Accounting Policies (Continued)**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Land Improvements	20-50 years
Buildings	30-50 years
Building Improvements	5-20 years
Equipment	3-20 years
Vehicles	5-10 years
Office Furniture and Fixtures	5-20 years

Other accounting policies are disclosed as appropriate in other notes to the financial statements.

Compensated Absences – The liability for compensated absences reported in the government-wide statements consist of unpaid, accumulated annual and vacation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

The following summarizes the specific policy with regard to sick pay compensated absences:

Employees may accumulate up to 100 days of sick pay. Upon retirement professional staff are entitled to payment of \$35 per day and Support staff and Central office staff are entitled to a payment of \$40 per day, up to a maximum of 75 unused sick days, per union agreement.

Long-Term Obligations – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fund Balance - The unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute “available spendable resources.” The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

**Note 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The District maintains a formalized encumbrance accounting system.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the Required Supplementary Information – Budgetary Comparison Statements.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the School Board resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated. Any expenditures in violation of the Budgeting Act are disclosed as unfavorable variances on the Required Supplementary Information – Budgetary Comparison Statements.
4. The Superintendent is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to June 30<sup>th</sup>.

**Note 3 - DEPOSITS, INVESTMENTS, AND CREDIT RISK**

**Deposits**

At year-end, the carrying amount of the District's deposits were \$564,553 and the bank balance was \$1,112,873 of which \$201,147 was covered by federal depository insurance and \$911,726 was uninsured and uncollateralized.

**Note 3 - DEPOSITS, INVESTMENTS, AND CREDIT RISK (Continued)**

At year end, the District's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 564,553	\$ -	\$ 564,553
Cash on hand	440	-	440
Investments	<u>812,333</u>	<u>87,948</u>	<u>900,281</u>
Total	<u>\$ 1,377,326</u>	<u>\$ 87,948</u>	<u>\$ 1,465,274</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts)	\$ 564,993
Investments in Mutual Funds	<u>900,281</u>
	<u>\$ 1,465,274</u>

The bank balance of the primary government's deposits is \$1,112,873, of which \$201,147, 18.07%, is covered by federal depository insurance.

**Investments**

	<u>Fair Value</u>	<u>Weighted Average Maturity(Years)</u>	<u>Standard &amp; Poors Rating</u>	<u>%</u>
Investments:				
MILAF External Investment Pool – MIMAX	<u>\$ 900,281</u>	<u>0.0027</u>	<u>AAAm</u>	<u>100</u>

1 day maturity equals 0.0027. One year equals 1.0.

**Investment and Deposit Risk**

*Interest Rate Risk* – The district limits interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting average maturity in accordance with the District's cash requirements.

*Concentration of Credit Risk* – The district places diversifies the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Note 3 - DEPOSITS, INVESTMENTS, AND CREDIT RISK (Continued)**

*Credit Risk* - State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above. As of June 30, 2008, the district's investment in the MILAF pool was rated AAAM by Standard and Poor's.

*Custodial investment credit risk.* Investment custodial credit risk, is the risk that in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or securities that are in the possession of an outside party. Of the District's \$900,281 investments, \$900,281 are not in the name of the District, but in the name of the agent.

**Note 4 - CAPITAL ASSETS**

A summary of changes in governmental capital assets follows:

	Balance July 1, 2007	Additions	Adjustments/ Deductions	Balance June 30, 2008
Capital Assets Not Depreciated:				
Land	\$ 22,000	\$ -	\$ -	\$ 22,000
Total Assets Not Depreciated	22,000	-	-	22,000
Capital Assets Depreciated:				
Buildings and improvements	1,226,392	-	-	1,226,392
Site improvements	115,450	-	-	115,450
Furniture and equipment	511,486	37,205	( 23,815)	524,876
Vehicles	103,280	88,109	( 49,530)	141,859
Total Assets Depreciated	1,956,608	125,314	( 73,345)	2,008,577
Less Accumulated Depreciation for:				
Buildings and improvements	( 463,904)	( 20,059)	-	( 483,963)
Site improvements	( 90,519)	( 5,772)	-	( 96,291)
Furniture and equipment	( 339,710)	( 52,675)	20,511	( 371,874)
Vehicles	( 83,306)	( 32,983)	49,530	( 66,759)
Subtotal	( 977,439)	( 111,489)	70,041	( 1,018,887)
Net Capital Assets Depreciated	979,169	13,825	( 3,304)	989,690
Total Net Capital Assets	\$ 1,001,169	\$ 13,825	(\$ 3,304)	\$ 1,011,690

Depreciation expense was charged to governmental functions as follows:

Support Services \$ 111,489



**Eastern Upper Peninsula Intermediate School District****Notes to Financial Statements  
June 30, 2008****Note 5 - LONT-TERM DEBT**

At June 30, 2008, limited obligation debts and other long-term obligations currently outstanding are as follows:

Limited obligation Durant bonds payable in annual installments of \$19,108 to \$118,626 from May 2009 through May 2013, interest at 4.76%	\$ 202,732
Termination benefits	<u>42,940</u>
	<u><u>\$ 245,672</u></u>

The annual requirements to amortize long-term obligations outstanding as of June 30, 2008 including interest of \$21,346 are as follows:

Year ending June 30,	Principal	Interest	Total
2009	\$ 19,108	\$ 5,003	\$ 24,111
2010	20,017	4,093	24,110
2011	118,626	43,371	161,997
2012	21,968	2,142	24,110
2013	<u>23,013</u>	<u>1,096</u>	<u>24,109</u>
	202,732	55,705	258,437
Termination benefits	<u>42,940</u>	<u>-</u>	<u>42,940</u>
	<u><u>\$ 245,672</u></u>	<u><u>\$ 55,705</u></u>	<u><u>\$ 301,377</u></u>

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2008:

	Beginning balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities:					
Bonds payable:					
Limited obligation bonds	\$ 202,732	\$ -	\$ -	\$ 202,732	19,108
Other liabilities:					
Termination benefits	<u>42,940</u>	<u>-</u>	<u>-</u>	<u>42,940</u>	<u>-</u>
Total long-term liabilities	<u><u>\$ 245,672</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 245,672</u></u>	<u><u>\$ 19,108</u></u>

Interest expense (all funds) for the year ended June 30, 2008 was \$-0-.

**Note 6 - PENSION**

**Plan Description** – The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer defined benefit pension plan administered by the nine member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30026, Lansing, Michigan 48909 or by calling (517) 322-6000.

**Funding Policy** – Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Market rate interest is posted to member accounts on July 1<sup>st</sup> on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

The District is required to contribute the full actuarial funding contribution amount to the pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008 were 14.87%. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District contributions to MPERS for the year ended June 30, 2008, 2007, and 2006 were \$486,534, \$466,184, \$418, respectively, equal to the required contribution for each year.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan.

**Other Postemployment Benefits** – Under the MPERS' Act, all retirees have the option of continuing health, dental and vision coverage.

**Note 7 - DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governmental units consist of \$2,126,651 in revenues due from federal, state, and local sources. These revenues represent amounts used for the operation of special programs and grant projects, as well as for the final payment of 2008 state aid, which was not received until after year end due to a change in the state aid payment schedule. Because of the District's favorable collection experience, no allowance for doubtful accounts has been recorded.

**Note 8 - INTERFUND RECEIVABLE AND PAYABLES, AND TRANSFERS**

The District reports interfund balances between its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS	
	General Fund	
Special Education Fund	\$	<u>341,301</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**Interfund Transfers:**

TRANSFERS IN	TRANSFERS OUT			
	General Fund	Special Ed Fund	Co-op Fund	Totals
General Fund	\$ -	\$ 165,366	\$ 24,427	\$ 189,793
Co-op Fund	21,667	37,316	-	58,983
Nonmajor	<u>50,000</u>	-	-	<u>50,000</u>
Total	<u>\$ 71,667</u>	<u>\$ 202,682</u>	<u>\$ 24,427</u>	<u>\$ 298,776</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**Note 9 - RISK MANAGEMENT**

The District is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered Public entity risk pools. The District pays annual premiums to each pool for the respective insurance coverage. In the event a pool's total claims and expenses for one policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. Each of the pools maintain reinsurance for claims in excess of \$500,000 for each occurrence with the overall maximum coverage being unlimited. The District has not been informed of any special assessments being required.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance.

**Note 10 - COMMITMENTS AND CONTINGENCIES**

Grants

The District has received significant assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2008.

## **Required Supplementary Information**

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# Eastern Upper Peninsula Intermediate School District

## Required Supplementary Information Budgetary Comparison - General Fund Year Ended June 30, 2008

	Budget Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget - Favorable (Unfavorable)
<b>REVENUES:</b>				
Local sources	\$ 474,031	\$ 506,264	\$ 490,888	\$ (15,376)
State sources	996,947	1,375,387	1,199,241	(176,146)
Federal sources	736,641	1,733,473	1,263,430	(470,043)
Incoming transfers and other	296,665	353,788	306,537	(47,251)
Total Revenues	2,504,284	3,968,912	3,260,096	(708,816)
<b>EXPENDITURES:</b>				
Instruction	120,992	264,738	159,488	105,250
Support Services:				
Instructional staff	955,013	1,438,401	1,301,391	137,010
General administration	301,050	285,343	281,969	3,374
Business	298,713	309,186	298,074	11,112
Operations and maintenance	131,068	131,130	119,970	11,160
Support Services - Technology	100,060	101,783	69,043	32,740
Central Support Services	180,932	185,698	164,970	20,728
Payments to other governmental units	731,030	1,402,309	943,464	458,845
Total support services	2,697,866	3,853,850	3,178,881	674,969
Community Services	2,828	65,812	43,924	21,888
Total expenditures	2,821,686	4,184,400	3,382,293	802,107
<b>Excess of Revenues (Expenditures)</b>	<b>(317,402)</b>	<b>(215,488)</b>	<b>(122,197)</b>	<b>93,291</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	189,793	189,793	189,793	-
Operating transfers out	(70,714)	(70,714)	(71,667)	(953)
Total other financing sources (uses)	119,079	119,079	118,126	(953)
<b>Net Changes in Fund Balances</b>	<b>(198,323)</b>	<b>(96,409)</b>	<b>(4,071)</b>	<b>92,338</b>
<b>Fund Balances - Beginning of year</b>	<b>1,145,416</b>	<b>1,145,416</b>	<b>1,145,416</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 947,093</b>	<b>\$ 1,049,007</b>	<b>\$ 1,141,345</b>	<b>\$ 92,338</b>

# Eastern Upper Peninsula Intermediate School District

## Required Supplementary Information Budgetary Comparison - Special Education Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES:</b>				
Local sources	\$ 1,851,314	\$ 1,905,073	\$ 1,842,925	\$ (62,148)
State sources	968,009	1,014,364	1,014,359	(5)
Federal sources	1,688,446	1,772,314	1,733,055	(39,259)
Incoming transfers and other	986,619	1,131,106	1,041,842	(89,264)
Total Revenues	5,494,388	5,822,857	5,632,181	(190,676)
<b>EXPENDITURES:</b>				
Instruction	1,153,156	1,217,996	1,152,566	65,430
Support Services:				
Pupil services	1,831,762	2,114,412	2,059,523	54,889
Instructional staff	222,440	232,752	219,999	12,753
General administration	257,993	292,865	273,959	18,906
Business	7,300	20,000	16,775	3,225
Operations and maintenance	34,272	28,728	27,913	815
Central Support Services	102,164	103,313	103,732	(419)
Payments to other governmental units	1,893,441	1,943,440	1,922,636	20,804
Total support services	4,349,372	4,735,510	4,624,537	110,973
Community Services	3,764	5,000	4,855	145
Total expenditures	5,506,292	5,958,506	5,781,958	176,548
<b>Excess of Revenues (Expenditures)</b>	(11,904)	(135,649)	(149,777)	(14,128)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers out	(211,927)	(201,097)	(202,682)	(1,585)
Total other financing sources (uses)	(211,927)	(201,097)	(202,682)	(1,585)
<b>Net Changes in Fund Balances</b>	(223,831)	(336,746)	(352,459)	(15,713)
<b>Fund Balances - Beginning of year</b>	772,316	772,316	772,316	-
<b>Fund Balances - End of year</b>	\$ 548,485	\$ 435,570	\$ 419,857	\$ (15,713)

# Eastern Upper Peninsula Intermediate School District

## Required Supplementary Information Budgetary Comparison - Co-op Fund Year Ended June 30, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Favorable (Unfavorable)
<b>REVENUES:</b>				
Local sources	\$ 341,677	\$ 373,125	\$ 369,292	\$ (3,833)
Incoming transfers and other	306,481	261,750	263,912	2,162
Total Revenues	648,158	634,875	633,204	(1,671)
<b>EXPENDITURES:</b>				
Support Services:				
Pupil services	642,547	663,672	622,742	40,930
Instructional staff	10,863	21,073	20,819	254
Operations and maintenance	10,000	4,000	3,232	768
Other support services	-	3,374	3,605	(231)
Total expenditures	663,410	692,119	650,398	41,721
<b>Excess of Revenues (Expenditures)</b>	(15,252)	(57,244)	(17,194)	40,050
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	58,983	58,983	58,983	-
Operating transfers out	(24,427)	(24,427)	(24,427)	-
Total other financing sources (uses)	34,556	34,556	34,556	-
<b>Net Changes in Fund Balances</b>	19,304	(22,688)	17,362	40,050
<b>Fund Balances - Beginning of year</b>	479,786	479,786	479,786	-
<b>Fund Balances - End of year</b>	\$ 499,090	\$ 457,098	\$ 497,148	\$ 40,050



## **Other Supplementary Information**

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# Eastern Upper Peninsula Intermediate School District

## Other Supplementary Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
<b>ASSETS:</b>			
Cash and equivalents	\$ -	\$ 203,526	\$ 203,526
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 203,526</u>	<u>\$ 203,526</u>
<b>FUND EQUITY:</b>			
Fund Balance:			
Designated	-	203,526	203,526
<b>TOTAL FUND EQUITY</b>	<u>\$ -</u>	<u>\$ 203,526</u>	<u>\$ 203,526</u>

**Eastern Upper Peninsula Intermediate School District****Other Supplementary Information  
Combining Statement of Revenue, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2008**

	Debt Service Fund	Capital Project Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
Local sources	\$ -	\$ 6,762	\$ 6,762
TOTAL REVENUES	-	6,762	6,762
EXCESS REVENUES	-	6,762	6,762
<b>OTHER FINANCING SOURCES:</b>			
Operating Transfers In	-	50,000	50,000
EXCESS OF REVENUES AND OTHER FINANCING SOURCES	-	56,762	56,762
FUND BALANCES, JULY 1	-	146,764	146,764
FUND BALANCES, JUNE 30	\$ -	\$ 203,526	\$ 203,526

# **Eastern Upper Peninsula Intermediate School District**

## **Agency Fund Statement of Changes in Assets and Liabilities - Detail Year Ended June 30, 2008**

	<u>Balance</u> <u>July 1, 2007</u>	<u>Additions</u>	<u>Subtractions</u>	<u>Balance</u> <u>June 30, 2008</u>
<b>ASSETS:</b>				
Cash and Equivalents	<u>\$ 84,200</u>	<u>\$ 18,993</u>	<u>\$ 15,245</u>	<u>\$ 87,948</u>
<b>LIABILITIES:</b>				
Employee benevolent	1,217	1,584	1,500	1,301
Beginnings library	73,120	16,507	13,280	76,347
Due to UPSED	6,788	288	215	6,861
Due to EUPSBA	3,075	114	250	2,939
Scholarship and awards	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 84,200</u>	<u>\$ 18,993</u>	<u>\$ 15,245</u>	<u>\$ 87,948</u>

## **Reports on Compliance**

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# HARRIS GROUP

*Certified Public Accountants*

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AND AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

To the Members of the  
Board of Education  
Eastern Upper Peninsula Intermediate School District  
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Eastern Upper Peninsula Intermediate School District, as of and for the year ended June 30, 2008, which collectively comprise Eastern Upper Peninsula Intermediate School District's basic financial statements and have issued our report thereon, dated September 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the Michigan School Auditing Manual, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Eastern Upper Peninsula Intermediate School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Eastern Upper Peninsula Intermediate School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Eastern Upper Peninsula Intermediate School District's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Eastern Upper Peninsula Intermediate School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Eastern Upper Peninsula Intermediate School District's financial statements that is more than inconsequential will not be prevented or detected by the Eastern Upper Peninsula Intermediate School District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Eastern Upper Peninsula Intermediate School District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Eastern Upper Peninsula Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Eastern Upper Peninsula Intermediate School District in a separate letter dated September 5, 2008.

This report is intended solely for the information of the Board of Education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

  
Certified Public Accountants

September 5, 2008





# HARRIS GROUP

*Certified Public Accountants*

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE  
TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Members of the  
Board of Education  
Eastern Upper Peninsula Intermediate School District  
Sault Ste. Marie, MI 49783

## **Compliance**

We have audited the compliance of Eastern Upper Peninsula Intermediate School District with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the School District's compliance with those requirements.

In our opinion, Eastern Upper Peninsula Intermediate School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.



### **Internal Control Over Compliance**


The management of Eastern Upper Peninsula Intermediate School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Eastern Upper Peninsula Intermediate School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's, internal control over compliance.

A *control deficiency* in a District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of management, Board of Education, others within the entity, and federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "HAREIS GROUP". The letters are cursive and somewhat stylized, with the "H" and "G" being particularly prominent.

Certified Public Accountants

September 5, 2008

# Eastern Upper Peninsula Intermediate School District

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	6/30/08 Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
<b>U.S. DEPARTMENT OF EDUCATION</b>								
<i>Direct Award:</i>								
Rural Education Achievement Program	84.358A	S358A064732	\$ 13,334	\$ 6,407	\$ 14	\$ 14	\$ 5,714	\$ 5,714
Rural Education Achievement Program	84.358A	S358A074732	17,379	-	-	5,079	5,997	918
Subtotal			30,713	6,407	14	5,093	11,711	6,632
<i>Passed Through State Department of Education:</i>								
Federal Assistance for the Education of Handicapped Persons title VI-B:								
Service Provider Self-Review	84.027A	070440/0607	982	982	982	982	-	-
Flowthrough	84.027A	070450/0607	1,508,047	1,423,231	428,323	513,139	84,816	-
Flowthrough	84.027A	080450/0708	1,518,204	-	-	493,898	1,479,429	985,531
SIP-EOSD	84.027A	070480/EOSD	50,000	50,000	1,745	1,745	-	-
SIP-EOSD	84.027A	080480/EOSD	50,000	-	-	43,839	50,000	6,161
State Initiated Competitive-Transition Services	84.027A	070490/TS	60,000	60,000	19,603	19,603	-	-
State Initiated Competitive-Transition Services	84.027A	080490/TS	50,000	-	-	46,899	50,000	3,101
			3,237,233	1,534,213	450,653	1,120,105	1,664,245	994,793
Preschool Incentive	84.173A	060460/0506	59,454	22,235	3,944	3,944	-	-
Preschool Incentive	84.173A	070460/0607	58,062	58,062	2,993	2,993	-	-
Preschool Incentive	84.173A	080460/0708	57,975	-	-	12,660	57,975	45,315
			175,491	80,297	6,937	19,597	57,975	45,315
Total Special Education Cluster			3,412,724	1,614,510	457,590	1,139,702	1,722,220	1,040,108
Education for the Handicapped Act, Part H:								
Infant & Toddler	84.181	061340/190	79,911	2,664	819	819	-	-
Infant & Toddler	84.181	071340/190	78,900	72,161	1,236	7,975	6,739	-
Infant & Toddler	84.181	081340/190	83,066	-	-	66,779	80,034	13,255
			241,877	74,825	2,055	75,573	86,773	13,255
Drug-Free Formula	84.186	072860/0607	43,604	34,361	2,906	12,149	9,243	-
Drug-Free Formula	84.186	082860/0708	42,669	-	-	34,131	37,948	3,817
			86,273	34,361	2,906	46,280	47,191	3,817

# Eastern Upper Peninsula Intermediate School District

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	6/30/08 Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>								
<i>Passed Through State Department of Education:</i>								
Tech-Prep Education	84.243A	073540/7014-03	50,020	50,020	13,494	13,494	-	-
Tech-Prep Education	84.243A	083540/8014-03	52,597	-	-	27,493	52,597	25,104
			102,617	50,020	13,494	40,987	52,597	25,104
Carl Perkins V.E.A.:								
Regional Allocation	84.048A	073520/7012-03	102,674	102,674	30,952	30,952	-	-
Regional Allocation	84.048A	083520/8012-03	101,163	-	-	40,422	101,163	60,741
			203,837	102,674	30,952	71,374	101,163	60,741
21st Century Kids Café	84.287	072110/04-028	173,988	173,988	76,090	76,090	-	-
21st Century Kids Café	84.287	082110/04-028	173,988	-	-	81,818	162,068	80,250
			347,976	173,988	76,090	157,908	162,068	80,250
Title V - Innovative Program	84.298	070250/0607	2,366	1,032	-	1,334	1,334	-
Title V - Innovative Program	84.298	080250/0708	2,191	-	-	872	2,191	1,319
			4,557	1,032	-	2,206	3,525	1,319
Improving Teacher Quality	84.367	070520/0607	198	198	83	83	-	-
Improving Teacher Quality	84.367	080520/0708	205	-	-	-	205	205
			403	198	83	83	205	205
Title I - School Improvement Funds	84.010A	061570/0607	68,435	1,565	1,565	70,000	68,435	-
Title I - School Improvement Funds	84.010A	071570/0708	70,000	-	-	47,528	63,479	15,951
			138,435	1,565	1,565	117,528	131,914	15,951
Title II Part D, Enhancing Education Through Technology:								
Freedom to Learn	84.318	074240/2-1	198,277	20,507	20,507	142,026	177,770	56,251
Freedom to Learn	84.318	084240-PRO 10	351,342	-	-	30,440	-	(30,440)
Freedom to Learn	84.318	074240-PRO 10	681,658	-	-	33,835	261,245	227,410
			1,231,277	20,507	20,507	206,301	439,015	253,221
Subtotal - MDE			5,631,541	2,073,680	605,242	1,857,942	2,746,671	1,493,971

# Eastern Upper Peninsula Intermediate School District

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS YEAR ENDED JUNE 30, 2008

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Accrued (Deferred) Revenue July 1, 2007	6/30/08 Current Year Cash Receipts	Current Year Expenditures	Accrued (Deferred) Revenue June 30, 2008
<b>U.S. DEPARTMENT OF EDUCATION (continued)</b>								
<i>Passed Through Dickinson-Iron ISD:</i>								
Math and Science Partnership	84.366B	MSPW2005	60,125	22,086	16,639	16,639	-	-
Math and Science Partnership	84.366B	MSPW2005	14,100	-	-	14,100	14,100	-
Math and Science Partnership	84.366B	MSPW2006	60,125	39,053	39,053	43,814	3,517	(1,244)
Teaching American History	84.215X	U215X040066	38,828	34,730	23,343	23,343	4,098	4,098
Subtotal			173,178	95,869	79,035	97,896	21,715	2,854
<i>Passed Through UPCED/NMU:</i>								
Improving Teacher Quality	84.367	080290-489	2,000	-	-	-	2,000	2,000
<i>Passed Through Marquette-Alger RESA:</i>								
Michigan Mathematics Program Improvement	84.323A	070620/03001	6,200	-	-	-	6,200	6,200
Autism Grant	84.027A	040870-3D51	2,618	-	-	753	2,175	1,422
Subtotal			8,818	-	-	753	8,375	7,622
<i>Passed Through Saginaw Valley University:</i>								
Math & Science Partnership	84.366B	08-0000-014	175,000	-	-	-	19,289	19,289
<b>Total U.S. Department of Education</b>			6,021,250	2,175,956	684,291	1,961,684	2,809,761	1,532,368
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>								
<i>Direct Award:</i>								
Rural Health Care Services Outreach Grant Program	93.912	D04RH07915	150,000	-	-	129,740	142,459	12,719
Rural Health Care Services Outreach Grant Program	93.912	D04RH07915	5,000	-	-	-	1,238	1,238
Subtotal			155,000	-	-	129,740	143,697	13,957
<i>Passed Through Michigan Department of Community Health:</i>								
Medicaid Outreach	93.778	-	64,321	-	(287,934)	64,321	34,367	(317,888)
Transportation - 2007-08	93.778	-	8,660	-	-	8,660	8,660	-
Subtotal			72,981	-	(287,934)	72,981	43,027	(317,888)
Total U.S. Department of Health & Human Services			227,981	-	(287,934)	202,721	186,724	(303,931)
<b>U.S. DEPARTMENT OF LABOR &amp; ECONOMIC GROWTH:</b>								
<i>Direct Award:</i>								
Energy Smart Schools	81.014	-	6,000	4,492	4,492	4,492	-	-
<b>TOTAL FEDERAL AWARDS</b>			\$ 6,255,231	\$ 2,180,448	\$ 400,849	\$ 2,168,897	\$ 2,996,485	\$ 1,228,437

## **Eastern Upper Peninsula Intermediate School District**

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### **Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2008**

#### **Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Eastern Upper Peninsula Intermediate School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

#### **Note B - Oversight Agency**

The U.S. Department of Education is the oversight agency of the School District, as this federal agency provided the largest amount of indirect and direct federal funding.

#### **Note C - Subrecipients**

Of the federal expenditures presented in the schedule, Eastern Upper Peninsula Intermediate School District provided federal awards to subrecipients as noted in the Schedule of Expenditures of Federal Awards Provided to Subrecipients.

#### **Note D – Other Disclosures**

Management has utilized the Grants Auditors Report in preparing the Schedule of Federal Awards.

**Section I – Summary of Auditor’s Results**

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**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No

Type of auditor’s report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

**Identification of Major Programs:****CFDA Numbers**

84.027 and 84.173  
84.318

**Name of Federal Program**

Special Education Cluster  
Title II Part D, Enhancing Education  
Through Technology

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? Yes

**Section II – Financial Statement Findings**

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**NONE.**

**Section III – Federal Award Findings and Questioned Costs**

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**NONE.**

# Eastern Upper Peninsula Intermediate School District

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS FOR THE YEAR ENDED JUNE 30, 2008

Program Title/Subrecipient	Federal CFDA Number	Agency or Pass-Through Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Due to/(from) Subrecipients July 1, 2007	Current Year Cash Transferred to/ (from) Subrecipient	Current Year Expenditures Reported by Subrecipients	Due to/(from) Subrecipients June 30, 2008
<i>Flowthrough</i>	84.027	050450-0405						
Rudyard Area Schools		Reduced \$6,337	158,597	-	(6,337)	(6,337)	-	-
Tahquamenon Area Schools		Reduced \$2,280	205,290	-	(2,280)	(2,280)	-	-
<i>Flowthrough</i>	84.027	060450-0506						
Rudyard Area Schools		Reduced \$6,484	149,716	-	(6,484)	(6,484)	-	-
Tahquamenon Area Schools		Reduced \$3,932	210,568	-	(3,932)	(3,932)	-	-
<i>Flowthrough</i>	84.027	070450-0607						
St. Ignace Area Schools			72,960	72,960	42,362	42,362	-	-
Rudyard Area Schools			183,312	173,681	52,501	62,132	9,631	-
Engadine Consolidated Schools			35,568	35,568	9,179	9,179	-	-
Tahquamenon Area Schools			206,112	206,112	73,431	73,431	-	-
Mackinac Island Public Schools			3,648	3,648	482	482	-	-
Sault Ste. Marie Area Schools			370,272	370,272	123,308	123,308	-	-
Bay Mills Ojibwe Charter School			23,712	11,914	-	11,798	11,798	-
Brimley Area Schools			69,312	69,312	15,622	15,622	-	-
<i>Flowthrough</i>	84.027	080450-0708						
St. Ignace Area Schools			76,932	-	-	76,932	76,932	-
Rudyard Area Schools			173,342	-	-	112,609	173,342	60,733
Engadine Consolidated Schools			29,215	-	-	25,260	29,215	3,955
Les Cheneaux Community Schools			42,848	-	-	42,848	42,848	-
Pickford Public Schools			25,320	-	-	25,320	25,320	-
DeTour Area Schools			26,293	-	-	26,293	26,293	-
Tahquamenon Area Schools			196,714	-	-	81,679	196,714	115,035
Mackinac Island Public Schools			6,816	-	-	-	6,816	6,816
Sault Ste. Marie Area Schools			370,057	-	-	370,057	370,057	-
Brimley Area Schools			77,906	-	-	57,247	77,906	20,659
Moran Township Schools			15,581	-	-	10,314	15,581	5,267
Bay Mills Ojibwe Charter School			18,502	-	-	18,502	18,502	-
Whitefish Township Schools			4,869	-	-	-	4,869	4,869
			2,753,462	943,467	297,852	1,166,342	1,085,824	217,334
<i>IDEA Preschool Incentive</i>								
Sault Ste. Marie Area Schools	84.173A	760460-0708	41,835	-	-	41,835	41,835	-
			41,835	-	-	41,835	41,835	-
<i>21st Century Community Learning Center</i>	84.287	082110/04-028						
DeTour Area Schools			34,605	-	-	34,605	34,605	-
Rudyard Area Schools			46,005	-	-	46,005	46,005	-
Tahquamenon Area Schools			49,741	-	-	21,178	41,506	20,328
			130,351	-	-	101,788	122,116	20,328



# Eastern Upper Peninsula Intermediate School District

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS PROVIDED TO SUBRECIPIENTS FOR THE YEAR ENDED JUNE 30, 2008

Program Title/Subrecipient	Federal CFDA Number	Agency or Pass-Through Number	Approved Award Amount	(Memo Only) Prior Year Expenditures	Due to/(from) Subrecipients July 1, 2007	Current Year Cash Transferred to/ (from) Subrecipient	Current Year Expenditures Reported by Subrecipients	Due to/(from) Subrecipients June 30, 2008
<i>Carl D. Perkins Local Administration-Secondary</i>								
Sault Ste. Marie Area Schools	84.048a	073540/7012-3	94,636	94,636	29,872	29,872	-	-
Sault Ste. Marie Area Schools	84.048a	083520/8012-03	93,623	-	-	57,659	93,623	35,964
			188,259	94,636	29,872	87,531	93,623	35,964
<i>Carl D. Perkins, Title II Tech Prep</i>	84.243A	073540/7014-3						
LSSU			12,510	12,510	3,319	3,319	-	-
Sault Ste. Marie Area Schools			25,587	25,587	8,969	8,969	-	-
			38,097	38,097	12,288	12,288	-	-
<i>Carl D. Perkins, Title II Tech Prep</i>	84.243A	083540/8014-03						
LSSU			12,033	-	-	3,651	12,033	8,382
Sault Ste. Marie Area Schools			28,265	-	-	12,971	28,265	15,294
			40,298	-	-	16,622	40,298	23,676
<i>Title V - Innovative Program</i>	84.298	080250/0708						
Bois Blanc			3	-	-	3	3	-
<i>Improving Teacher Quality</i>	84.367	080520/0708						
Bois Blanc			28	-	-	28	28	-
<i>Title II Part D, Enhancing Education Through Technology:</i>								
<i>Freedom to Learn</i>	84.318	074240-PRO 10						
MACUL			615,466	-	-	234,668	234,668	-
<i>Freedom to Learn</i>	84.318	074240 2-1						
Wexford-Missaukee Intermediate School District			74,164	20,000	-	54,164	54,164	-
<i>Medical Assistance Program TIT:</i>								
<i>Transportation</i>	93.778	-						
Sault Ste. Marie Area Schools			7,797	-	-	7,797	7,797	-
Engadine Consolidated Schools			127	-	-	127	127	-
			7,924	-	-	7,924	7,924	-
<b>TOTAL FEDERAL AWARDS PASSED THROUGH TO SUBRECIPIENTS</b>			\$ 3,889,887	\$ 1,096,200	\$ 340,012	\$ 1,723,193	\$ 1,680,483	\$ 297,302



# HARRIS GROUP

*Certified Public Accountants*

September 5, 2008

Board of Education  
Eastern Upper Peninsula Intermediate School District  
Sault Ste. Marie, MI

In planning and performing our audit of the financial statements of Eastern Upper Peninsula Intermediate School District for the fiscal year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Eastern Upper Peninsula Intermediate School District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions in the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal controls was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

During our audit, we noted the following control deficiencies:

## Time Certifications

During our audit we noted that the District properly tracked and maintained time certifications for employees funded with federal funds. The District needs to improve its tracking of employees who are co-funded by federal funds and compare the actual amount of time spent on federal functions to the amount budgeted for the particular employee. At least quarterly, the District is required to review the comparison of actual costs to budgeted distributions. If differences in budgeted and actual costs exceed ten percent the District is required to amend its budget to reflect the actual costs charged to the grant program. We tested certain employees and found them to be within a reasonable percentage of the budgeted payroll. The District needs to improve its process for comparing actual time charged to budgeted amounts. Also, employees need to understand the importance of accurately tracking their time to the proper program.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

*Harris Group*

Certified Public Accountants



# HARRIS GROUP

*Certified Public Accountants*

September 5, 2008

To the Board of Education  
Eastern Upper Peninsula Intermediate School District  
Sault Ste Marie, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Eastern Upper Peninsula Intermediate School District for the fiscal year ended June 30, 2008, and have issued our report thereon dated September 5, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated December 4, 2006, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered Eastern Upper Peninsula Intermediate School District internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Eastern Upper Peninsula Intermediate School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Eastern Upper Peninsula Intermediate School District's compliance with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" applicable to each of its major federal programs for the purpose of expressing an opinion on Eastern Upper Peninsula Intermediate School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Eastern Upper Peninsula Intermediate School District compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our engagement letter.



## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Eastern Upper Peninsula Intermediate School District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated September 5, 2008.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Board of Education and management of Eastern Upper Peninsula Intermediate School District and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Harris Group".

Certified Public Accountants